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Contests

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Philip Morris wants additional Kentucky burley

Company turning to other states

05/29/05

By Bruce Schreiner
Associated Press

LOUISVILLE -- Clarence Abney would have been quite a catch for a tobacco company.

For nearly 40 years, the Bourbon County farmer raised tobacco crops that regularly exceeded yield averages in Kentucky -- the nation's leading burley producer.

Yet this spring, Abney spurned any offer to sign up to raise leaf for a cigarette manufacturer, saying he had lost confidence in the tobacco industry.

As other Kentucky farmers put in their first tobacco crop without the security blanket of government price supports, Abney will spend his days tending cattle and hogs.

"It's strictly a business decision," the 53-year-old farmer explained by phone. "When they took the profit out of it, you lose the desire to do it."

Even as burley plants are being set in fields, Philip Morris USA -- the nation's leading cigarette manufacturer -- is trying to sign more growers to production contracts.

"It's no secret that they did not get as many pounds signed up, especially in Kentucky, as they wanted to," said Will Snell, a

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PHOTO: JAY
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University of Kentucky tobacco economist. "So they've been continuing to seek pounds, not only in Kentucky but other states as well."

Philip Morris spokesman Bill Phelps said the company has signed up thousands of Kentucky growers, but the maker of Marlboro and Virginia Slims cigarettes is looking for more.

"We will continue signing contracts until we get the tobacco that we need," he said.

The company won't reveal its burley demand or contract prices offered growers, but Phelps said, "We believe we have offered a fair price for tobacco based on the free-market system."

Meanwhile, R.J. Reynolds Tobacco Co. has commitments for all the burley tobacco it anticipates needing from Kentucky. Company spokesman David Howard said farmers seemed pleased with contracts offered by the maker of such cigarette brands as Camel and Winston.

Philip Morris began buying Kentucky burley under contract in 2000, and some of its receiving stations have signed up farmers into summer to satisfy leaf demands, Phelps said.

Given the dramatic changes in tobacco production, Snell said, it has been "a feeling-out period" for farmers and tobacco companies.

For decades, the federal tobacco program put production in the hands of quota holders. The program ended with the \$10.1 billion tobacco buyout passed by Congress last year.

Now, with production restrictions gone, some in Kentucky's tobacco sector worry that Philip Morris will look elsewhere if it can't satisfy its appetite for Kentucky burley. The Bluegrass State traditionally produces nearly three-fourths of U.S. burley used in cigarettes.

"Burley is going to be grown no matter what," said Christian County farmer David Wimpy, who grows leaf for Philip Morris. "It's just whether Kentucky wants to keep this industry."

As for those farmers reluctant to sign up with a tobacco company, he said: "They better wake up if they want to get on the train, because this train ain't going to be here very long."

Already in North Carolina, research is planned on whether burley can be produced and cured in regions known for flue-cured tobacco.

Phelps said Philip Morris is starting to look at areas "on the fringes"

of the Burley Belt. So far, it's led to discussions with prospective growers.

Abney, who raised tobacco during the past two years for R.J. Reynolds, said he was "marginally" satisfied with the arrangement. His decision to drop out of tobacco was based partly on price.

But Abney also was steamed when the major tobacco companies refused to make a final round of so-called "Phase II" payments to growers and quota holders to help offset lower demand.

A judge in North Carolina ruled in December that cigarette companies didn't have to make the final payment because the 1999 settlement was superseded by passage of the tobacco buyout.

The case is now before the Supreme Court in North Carolina.

"That made me question how honorable they would be this fall when we produced a crop and took it to their marketplace," Abney said.

He also faced a sharp drop in price for this year's crop. For the 2004 crop, he received nearly \$2 a pound, on average. Under the proposed contract for this year's crop, the same burley would have fetched about \$1.45 a pound, he said.

At that price, Abney said, he would need a bumper crop to make a little profit. A subpar crop would turn into a money loser, he said.

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